

IT TAKES
TAXES ~~AND~~ BONDS

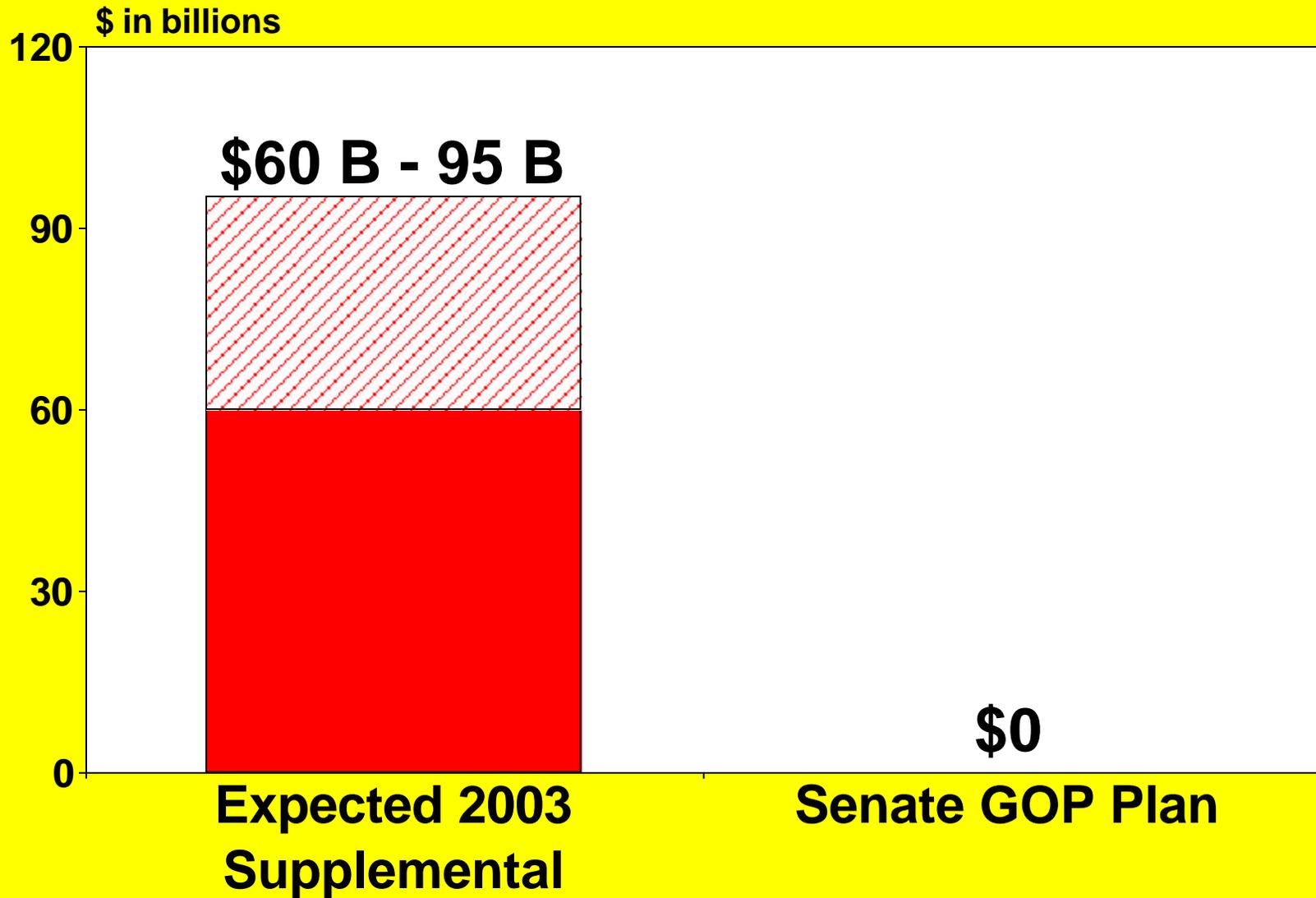


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PROTECTING RESOURCES FOR NATIONAL SECURITY AND ECONOMIC RECOVERY

- Senate may not consider legislation that would increase the deficit until the President submits to Congress a detailed report on the overall estimated costs of the war
- Enforced with 60-vote point of order
- Two exceptions:
 - Legislation relating to national or homeland security, and
 - One economic recovery and job creation package which does not increase the deficit over the time period 2005-2013

Senate GOP Plan Ignores Cost of War



Source: Press reports, OMB

March 17

Wartime Expenses Unmet

(Numbers may not add due to uncertainty about content of 2003 War Supplemental)

	<u>Included?</u>	<u>Potential Cost?</u>
2003 War Supplemental	No	\$60 - 95 B
Iraq Humanitarian Aid	No	\$1 B
Iraq Reconstruction	No	\$30 B over 10 years
Iraq Occupation	No	\$17 - 46 B per year
Aid to Allies (Israel, Jordan, Egypt)	No	\$6 - 17 B
War on Terrorism in 2004	No	\$19 B

Sources: 2003 War Supplemental and aid to allies from media reports. Figures for Iraq humanitarian aid and reconstruction are the low end of William Nordaus' estimates. Iraq occupation costs based on March 2003 CBO estimate. War on Terrorism costs in 2004 based on DoD estimate of \$1.6 B per month in 2002.

Republicans Seek to Delay War Supplemental Until Tax Cuts Locked In

“Vice President Cheney met with Senate Majority Leader Frist Thursday to discuss, among other things, the timing of a spending request on military action in Iraq. It is not expected that such a request would come until after the House and Senate complete floor action on the budget resolution, a key aide said.

–*Congress Daily*,
“White House Planning To Delay War Spending Request”
March 14, 2003

Republicans Seek to Delay War Supplemental Until Tax Cuts Locked In

“...[H]aving a supplemental that could total somewhere between \$65 billion and \$95 billion come up while the tax cuts in the budget resolution are being debated could threaten the Republicans’ economic agenda. House leaders have also said they want the supplemental war request delayed as long as possible to provide breathing room between the tax cuts and war spending.”

–*Congress Daily*,
“White House Planning To Delay War Spending Request”
March 14, 2003

Initial War Cost Estimates Often Low

<u>Conflict</u>	<u>Estimate / Request</u>	<u>Actual</u>	<u>% Increase</u>
Civil War	\$0.2 B	\$3.2 B	1,500%
WW II 1942-44	\$111.7 B	\$195.5 B	75%
Vietnam	\$12.3 B	\$111.0 B	802%

Sources: William D. Nordhaus, "The Economic Consequences of a War with Iraq", 2002; and Congressional Research Service

War and Revenue

- | | |
|----------------------|---|
| Revolutionary War | • excise and property taxes enacted |
| War of 1812 | • excise and sales taxes enacted |
| Mexican-American War | • no federal taxes during this period* |
| Civil War | • excise, inheritance, income taxes enacted |
| Spanish-American War | • excise and inheritance taxes raised, war bonds sold |
| World War I | • income, estate, corporate taxes raised |
| World War II | • major expansion of corporate, excise and income taxes, war bonds sold |
| Korea | • income taxes raised |
| Vietnam | • business, income taxes cut in '64, '71. Increased in '68, '69. |
| Persian Gulf War | • 1990 tax increase |
| Probable Iraq War | • Bush proposes \$1.9 trillion tax cut |

*During this period, the government received most of its revenue through the sale of public land and high customs duties.

Sources: *New York Times*, 03/09/03, Dept. of Treasury, and Congressional Research Service